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Local

Maryland water utility partners with company accused of misleading customers

By Katherine Shaver September 10

Maryland's largest water utility has provided its logo and customer mailing list to a pipe service company that has paid more than $400,000 to settle allegations that it misled consumers in six states, including Maryland.

The Washington Suburban Sanitary Commission (WSSC), which serves nearly 2 million people, has shared its residential customers' names, addresses and account numbers with Connecticut-based HomeServe USA. The company is allowed to use the WSSC logo to advertise repair service plans for water and sewer pipes on private property, which are a homeowner's responsibility. In exchange, HomeServe agreed to pay up to $300,000 annually into a "hardship fund" to help low-income WSSC customers who can't afford a service plan or emergency pipe repairs.

The kind of partnership is one that the District's water utility rejected as "not in the best interest" of its customers, a D.C. Water spokesman said. The arrangement also has left some WSSC customers confused about whether their utility is suggesting their underground pipes are vulnerable. One customer who researched HomeServe's record questioned why WSSC appears to be endorsing a company that has come under legal scrutiny, including by Maryland's attorney general.

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In 2015, HomeServe paid $115,000 to Maryland's Consumer Protection Division after Attorney General Brian E. Frosh (D) said residents were "tricked" into signing up for a HomeServe plan "they might not have needed." HomeServe's marketing materials appeared to be from a consumers' utility or local government — before the company began establishing any partnerships in Maryland, the attorney general's office said in announcing the settlement.

Frosh said consumers also complained that HomeServe had illegally required them to release it from liability for damage caused during repairs, had provided only 11 months of coverage under its "annual" service plan, and had said "any" or "all" pipe problems would be covered, even though plans contained numerous exclusions.

Between 2010 and 2015, HomeServe also signed agreements with attorneys general or state officials in New York, Kentucky, Ohio, Massachusetts and Georgia. All came amid investigations into the firm's marketing materials, among other complaints. HomeServe did not agree with any allegations and there were no findings of wrongdoing, a company spokesman said. He said the firm has changed the marketing materials that drew scrutiny in 2010.

HomeServe also agreed last year to a $3 million settlement in a class-action lawsuit filed by customers in New Jersey who alleged that they were sold service plans that they later learned didn't cover their apartment or condo buildings.

Eliot Applestein, a North Bethesda resident, said he discovered the complaints against HomeServe while researching the company online. He said the firm's letter, which had the WSSC logo on the envelope and letterhead, suggested he needed a service plan, even though experts he found online said such pipe breaks are relatively infrequent.

"The question is why is WSSC promoting this?" Applestein said. "It comes off as a little bit unsavory."

Larry Kravitz, one of Applestein's neighbors, said he thought the company's mailing was "deceptive" because the WSSC logo initially made it look like it was from the utility. He said he's heard of one home water line breaking in his neighborhood.

HomeServe's letter, he said, "led me to believe there were imminent problems and I'd need their services. . . . I was surprised WSSC would let themselves be used in this way."

WSSC spokesman Jim Neustadt said WSSC can't tell consumers how frequently pipes leak or break on private property because many are fixed by a plumber without the utility knowing.

Neustadt said WSSC wanted to give residents in Montgomery and Prince George's counties the option of buying a HomeServe plan because many are surprised to learn that the utility doesn't cover leaks or breaks between their home and the public property line. Moreover, he said, most homeowner insurance policies don't

cover exterior water and sewer lines.

Neustadt stressed that buying a service plan is optional and that the utility is trying to help customers, particularly those in older homes, who want to protect themselves against potentially expensive plumbing bills. He said WSSC negotiated less-expensive plan rates than HomeServe normally charges and that the "hardship fund" HomeServe will pay into is part of the utility's efforts to help low-income customers.

The pipe service plans are available only for residential customers in single-family homes or townhomes, not apartment or condo buildings. Businesses also aren't eligible.

"It's all very above-board, and we've gotten relatively few complaints," Neustadt said. "We felt our customers ought to have the benefit of knowing about this. They can turn it down if they don't want it."

The company offers a $3.99 monthly plan under which it will send a licensed plumber to fix leaks or breaks in a water line at no additional cost. A HomeServe spokesman said water pipes average about $450 to fix and $2,500 to replace.

Though other companies also sell pipe service plans, Neustadt said WSSC didn't put HomeServe's two-year contract out for bid because the Baltimore Department of Public Works had recently vetted the firm during its bid process before awarding it a similar contract. Baltimore officials also told WSSC that they'd been happy with HomeServe for the past two years, Neustadt said.

He said the WSSC contract includes the 12-page "assurance of discontinuance" that HomeServe signed with the Maryland Attorney General's Office.

"I think you have to look at what they've been doing recently and what they've been doing in Baltimore," Neustadt said. "We feel confident there's enough protection built into our contract that it's a good deal for our customers."

HomeServe spokesman Myles Meehan said HomeServe USA, a subsidiary of the British company HomeServe, has partnership agreements with 400 U.S. utilities and municipalities. He said 16,000 WSSC households have signed up for service plans since the first mailings began arriving in early August.

The company agreed to the six state legal settlements, he said, “to close out the matter and put things behind us.” HomeServe delivers “excellent service” while “maintaining ethical business practices,” he said.

“There is no scare tactic in here,” Meehan said of the letter. “It clearly describes the service we’re offering, who we are and what our relationship is to WSSC.”

Jeff Raymond, spokesman for the Baltimore Department of Public Works, said the city has had “a handful” of complaints out of the 7,300 requests for HomeServe repair services since the city partnership started in 2014. Most were about repairs taking too long, he said. About 28,000 of the 180,000 Baltimore households eligible for HomeServe plans have them.

Raymond said the city wanted to offer residents a service plan option because so many have older homes, including some with pipes dating back more than a century. He said he paid a plumber $4,000 for a new water line for his townhouse before the city partnered with HomeServe.

“By and large, we’re quite pleased with the way our HomeServe agreement has worked out,” Raymond said. “I’d encourage people to take a look at it. I think it’s a fair price and, as someone who’s had work done, it’s a little bit for a lot of peace of mind.”

But John Lisle, spokesman for D.C. Water, said the utility has rejected similar partnerships proposed by companies.

“After careful deliberation, we decided adopting a third-party service line warranty program was not in the best interests of our customers,” Lisle said.

He declined to elaborate, but said factors in that decision included “the amount of anticipated revenue for D.C. Water, the cost to our customers, and the potential risk to our brand and relationship with our ratepayers.”

Questions about the HomeServe mailing prompted the Montgomery County Office of Consumer Protection and Chevy Chase Village to post announcements on their websites saying the company's arrangement with WSSC was valid.

Eric Friedman, director of Montgomery's Office of Consumer Protection, said his office reminds people that they can consider other repair plan companies and that they should read the agreements carefully for exclusions.

"We don't want consumers to be misled into thinking this letter is coming from WSSC or that it will affect their water service," Friedman said. "It's a little tricky because WSSC's logo is on the letter. . . . There's inherently the potential for some consumers to misunderstand or to at least have questions."

When weighing whether to buy a service plan, officials for WSSC and other utilities advise homeowners to consider the age of their home, its distance to the public property line and whether neighbors have had pipe problems. Residents also should first check whether their homeowner insurance company offers a special rider for exterior pipes, they said.

Bob Hunter, director of insurance issues for the Consumer Federation of America, cautioned that service plan companies aren't regulated as insurance firms are, leaving consumers fewer options if they and the company have a disagreement.

Hunter, a former Texas insurance commissioner, called repair plans for exterior water and sewer pipes "a classic example of junk insurance." He said insurance is intended to protect policyholders from "true catastrophes," not plumber bills.

“I think it’s a very, very low risk,” Hunter said of a home’s exterior pipes breaking. “I’m an actuary, and I can’t imagine the data that would support $3 per month” for protection from a broken pipe. “I doubt it happens much at all.”

Jennifer Jenkins contributed to this report.

Katherine Shaver is a transportation and development reporter. She joined The Washington Post in 1997 and has covered crime, courts, education and local government but most prefers writing about how people get — or don’t get — around the Washington region. Follow @shaverk